



**US Army Corps
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ENGINEERING AND CONSTRUCTION BULLETIN

No. 2002-4

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Subject: Architect-Engineer Responsibility Management Program (AERMP)

Applicability: Information

1. We have received and analyzed the FY01 AERMP reports from all MSCs and Centers, which are required by Chapter 7 of EP 715-1-7, Architect-Engineer Contracting. The following observations are made:

a. The total amount of A-E liability settlements received in FY01 was **only \$124,000, the least ever reported**. The annual average recovery since 1990 has been about \$1,300,000. It is difficult to say whether this is good news or bad news.

- Are we getting much higher quality work from A-E firms?
- Are we not paying enough attention to A-E liability?
- Does this reflect the transition from design-bid-build to design-build?
- Have our project budgets been cut so much that we can not afford to pursue A-E responsibility?

In any case, we encourage you to review your AERMP to ensure that you have a regular process of reviewing design deficiencies and holding A-E's financially accountable for the quality of their work. We owe this to our customers!

b. Only eight liability cases were settled in FY01. The negotiated settlements were only about 10% of the original computed damages, which is far below the historical average of about 43%. This low performance was mostly due to one very large, unsuccessful case.

c. In FY01, about 19 cents in investigation and recovery (I&R) costs were spent for each dollar of A-E damages pursued (excluding I&R costs). Since FY97 when we started collecting I&R cost data, about 3 cents in I&R costs were spent for each dollar of A-E damages pursued (excluding I&R costs). This also equates to about 10 cents in I&R costs for each dollar of settlement. Remember that reasonable I&R costs are part of the assessable damages.

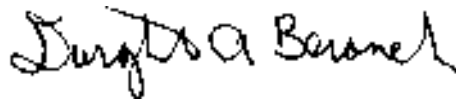
d. The backlog of liability cases (and associated dollars) carried over into FY02 are about the same as carried over into FY01. About one half of the backlog is one very large case that is in litigation. We have an important responsibility to our customers to pursue A-E liability cases in a timely manner.

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2. Based on the FY01 reports, MSCs and districts seem to be very aware of the requirements of the AERMP, although actual recoveries were very low and I&R costs relatively high. We will closely examine next year's reports to see if these trends have continued and decide on any needed actions. The FY02 MSC AERMP reports are due to CECW-ETE by 30 November 2002. Districts are required to report quarterly to their MSC on the progress of each case.

3. HQUSACE point of contact for the AERMP is Don Evick, CECW-ETE, 202-761-4227.

A handwritten signature in black ink, reading "Dwight A. Beranek". The signature is written in a cursive, flowing style.

DWIGHT BERANEK, P.E.
Chief, Engineering and Construction Division
Directorate of Civil Works